

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

9 7 — 0 4

2. STATE:

MICHIGAN

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
January 16, 1997

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.252(b)

7. FEDERAL BUDGET IMPACT:

a. FFY 1997 \$ 24,986,100.

b. FFY \$

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, pp. 2a, 2b and 2c.

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-B, pp. 2a, 2b and 2c.

10. SUBJECT OF AMENDMENT:

Special Outpatient Hospital Indigent Pool

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ OTHER, AS SPECIFIED:

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James K. Haveman, Jr.

14. TITLE:

Director

15. DATE SUBMITTED:

3-13-97

16. RETURN TO:

Michigan Department of Community Heal
P.O. Box 30479
Lansing, MI 48909

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

03/17/97

18. DATE APPROVED:

6/6/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

1-16-97

20. SIGNATURE OF REGIONAL OFFICIAL:

Cheryl A. Harris

21. TYPED NAME:

Cheryl A. Harris

22. TITLE: Associate Regional Administrator
Division of Medicaid and Children's Health

23. REMARKS:

RECEIVED

MAR 17 1997

HCFA-V-DMMCP

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Michigan
POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)

The indigent volume portion of the outpatient adjustor is:

$$1 + (\text{Indigent volume} \times .40) + .15$$

Only hospitals with at least \$8,000,000 in indigent charges are eligible for the 0.15 supplement to the adjustor. Off campus satellite clinics eligible for special Medicaid reimbursement as satellite clinics in health manpower shortage areas are not eligible for the 0.15 supplement to the outpatient adjustor.

The indirect medical education portion of the outpatient adjustor is:

$$\left(\left(1 + \frac{\text{Interns \& Residents}}{\text{Beds}} \right)^{.5795} - 1 \right) \times 1.5$$

The outpatient adjustor is the sum of the indigent care portion of the adjustor and the indirect medical education portion. Hospitals not located in Michigan or not enrolled in the Medicaid Program do not receive an adjustor for indigent volume or indirect medical education.

- 01/16/97 In addition to the regular indigent volume and indirect education adjustments normally included as part of the fee screen based payments, eligible hospitals will receive a proportional share from a special indigent pool. A total of \$44,012,800 will be distributed in periodic payments between January 16, 1997 and September 30, 1997. Preliminary payments from this pool will be made to eligible hospitals based on each hospital's estimated Medicaid outpatient payments during state fiscal year 1996. Final settlement of the \$44,012,800 will be done using state fiscal year (FY) 1997 paid claims data.
- 01/16/97 Eligibility for the special indigent pool is based on outpatient indigent volume data from hospital fiscal years ending between October 1, 1994 and September 30, 1995. These data have been subject to review and appeal and will not be changed.
- 01/16/97 Hospitals with outpatient indigent volume of 45% and outpatient indigent charges in the eligibility year (cost periods ending between October 1, 1994 and September 30, 1995) of at least \$18,000,000 will be eligible for additional special outpatient indigent payments from the \$44,012,800 pool.

TN No. 97-04

Approval

Effective Date 01/16/97

Supersedes
 TN No. 96-14

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Michigan
POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)

For the purpose of this pool, Medicaid outpatient hospital reimbursement to any single hospital will be allowed to exceed the hospital's Medicaid outpatient charges and Medicaid payment may exceed a hospital's outpatient Medicaid cost.

01/16/97 Exactly \$44,012,800 will be distributed to eligible hospital based on payments for services provided during state fiscal year 1997 (excluding direct medical education and the special indigent pool payments). The final settlement, using outpatient hospital Medicaid paid claims for eligible hospitals will be performed based on actual state fiscal year 1997 claims paid through December 31, 1998. Claims include Title XIX and Title V/XIX paid claims from provider types 40, 41 and 75.

The special indigent payments made under this provision will be exempt from the outpatient hospital charge and cost limits. The outpatient hospital charge limit is applied in the invoice processing system. Each outpatient claim is reimbursed the lesser of the fee screen based payments or actual charges. Claim line reimbursement in the invoice processing system does not include any special indigent pool payments. Those are made in a separate payment.

TN No. 97-04

Approval _____

Effective Date 01/16/97

Supersedes

TN No. 96-14

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Michigan
POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)

The cost limit is applied by each subprovider within a hospital at the time of hospital settlement. The Medicaid outpatient payment by subprovider is limited to a maximum of the Medicaid costs for that subprovider. The cost limit test is applied to all payments including the outpatient share of direct medical education but excluding any special indigent pool payments.

- 01/16/97 Aggregate Medicaid reimbursement to Michigan outpatient hospitals (including the special indigent pools) will not be allowed to exceed the federally imposed upper limit for outpatient services provided to Michigan recipients. To account for varying hospital year end dates, this test will be made annually based on hospital fiscal years ending during the State fiscal year (e.g. the test for 1997 will use hospital years ending between October 1, 1996 and September 30, 1997). If the test against the upper limit was exceeded, the size of the special indigent pool will be reduced by the amount in excess of the limit. If the upper limit test supports our claim that Medicaid's total payment is less than the Medicare payment would have been for comparable circumstances, the amount up to the upper limit may be dispersed to the qualifying hospitals.

Between January 2, 1997 and September 30, 1997, qualifying children's hospitals will share in an outpatient adjustor pool of \$695,000. This payment will be in addition to the regular indigent volume and indirect education adjustments normally included as part of the fee screen based payments.

Eligibility for the pool is restricted to freestanding children's hospitals as defined for the purpose of the Medicaid Indigent Volume Report (Medical Assistance Program, Hospital Manual, Chapter VIII, page 19, item#3). Indigent volume charges and children's hospital status will be determined from the Medicaid Indigent Volume Report for hospital fiscal years (FY) ending between October 1, 1994 and September 30, 1995. To be eligible a children's hospital must have incurred outpatient indigent volume charges (for hospital fiscal years ending between October 1, 1994 and September 30, 1995) in excess of \$35,000,000. These data have been subject to review and appeal and will not be changed. Each eligible hospital will share in the pool proportionately using the ratio of the hospital's FY 1997 Title XIX estimated outpatient charges to the sum of FY 1997 Title XIX estimated outpatient charges for qualifying hospitals.

The \$695,000 will be paid on or after January 2, 1997. This payment will be made based on the best data available.

TN No. 97-04

Approval _____

Effective Date 01/16/97

Supersedes

TN No. 97-03